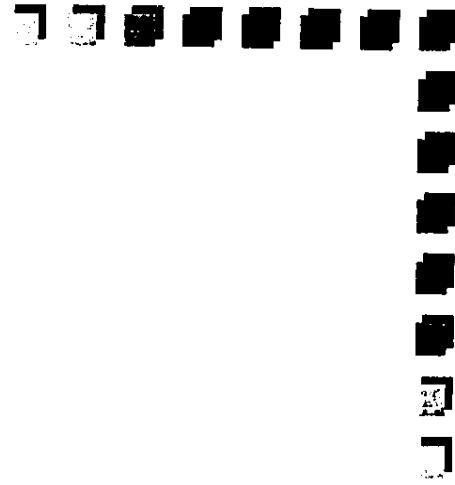


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FDA Regulations: Topline



FDA Regulations Impact on the Trade
.....if Implemented:
Rules effective February 28, 1997

Minimum Sales Age: *Retailers may not sell cigarettes to anyone under 18*

Proof of Age: *Retailers must verify by photo ID that any person purchasing cigarettes is at least 18. Customers over 26 do not need to be asked to verify age. Age does not need to be verified in facilities that are off-limits to persons under 18.*



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Self Service Display Ban: *Retailers may not offer cigarettes from self-service **DISPLAYS**, except in facilities where persons under 18 (including employees) are not permitted.*

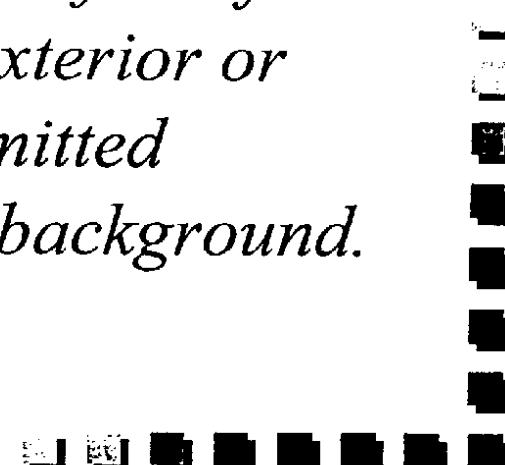
Vending Machine Ban: *Retailers may not sell cigarettes from **vending machines**, except in facilities where persons under 18 (including employees) are not permitted.*



Mail-Order Sales: Retailers may fill mail-order requests, but may not redeem coupons sent by mail.

No Breaking Packs: Retailers may sell cigarettes ONLY in unopened packs containing at least 20 cigarettes or in cartons.

Exterior Signage: Retailers within 1,000 feet of a playground or school may not display exterior or outdoor advertising for cigarettes. Permitted advertising must be black text on white background.



Interior Advertising: All point of sale advertising in any form for cigarettes, requires a **black text** on a **white background** format, except in facilities where persons under 18 (including employees) are not permitted. For “***Adult Only***” facilities, interior advertising attached to an interior wall or fixture and not visible from the outside is acceptable.

Established Name / Intended Use Statement:

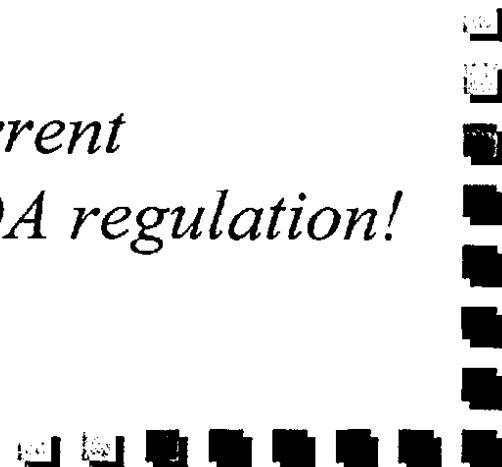
Each advertisement for cigarettes must carry the products “***established name***” and “***intended use***” (Cigarettes ... a Nicotine Delivery Device for Persons 18 or older).



No Branded Merchandise: *The retailer or manufacturer may not sell or give away non-tobacco merchandise bearing a cigarette brand name or Logo.*

No Free Samples: *Coupon redemption is permitted where transactions are Face to Face, but retailers and manufacturers may not give cigarettes away as free samples.*

Non-Complying Items: *No piece of current advertising complies with the current FDA regulation!*



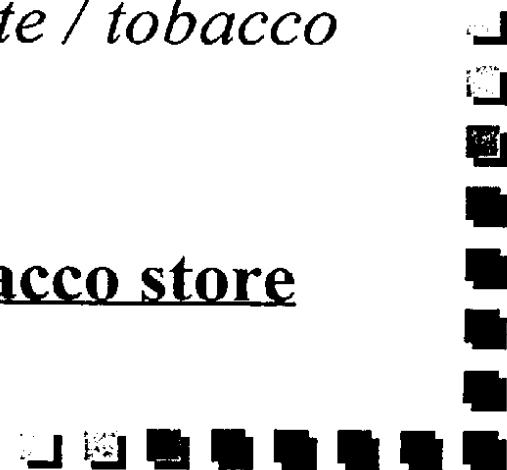
Cigarette / Tobacco Store Topline

What can cigarette retailers do to prepare for potential regulations:

Continue with business as usual BUT develop contingency plans that will maintain / build cigarette business in a restricted access environment.

Begin Immediately with store in a store concepts
will answer restricted access legislation AND strengthen your business against cigarette / tobacco store growth.

Enter the free-standing cigarette / tobacco store class of trade in selected markets



and most Importantly.....

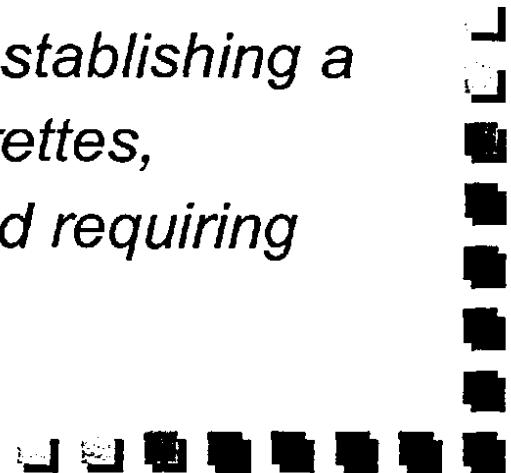
**Retailers and Wholesalers must Monitor
both FDA and Local legislative activity.
They should let government Officials
know how proposed laws will
hurt their Business!**

Everyone must be informed and involved!



RJR Response to FDA Rulemaking

Over two years ago the United States Congress spoke out clearly on the issue of underage smoking by putting in place requirements on the state to implement steps to make it illegal to sell tobacco products to minors. That is the law. The Department of Health and Human Services (HHS) has directed the states to take action now. The states have and will continue to respond, establishing a minimum age of 18 years to purchase cigarettes, restricting access to vending machines, and requiring identification to purchase tobacco products.

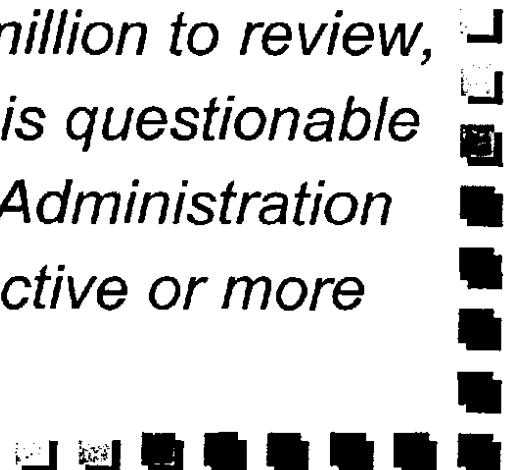


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RJR Response to FDA Rulemaking

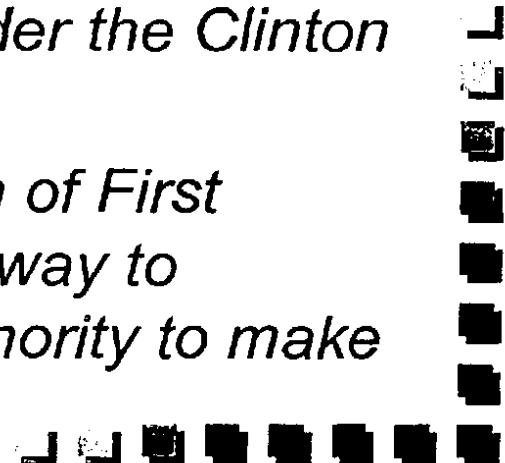
*While it is appropriate for the federal government to provide direction on the issue of underage smoking, **the states should be responsible for implementation.** In addition, the tobacco companies should and will continue voluntary efforts aimed at eliminating youth access to cigarettes.*

*Today there are **more than 225 federal government agencies** and offices spending over \$100 million to review, oversee or control the tobacco industry. It is questionable whether adding the federal Food and Drug Administration will make the federal government more effective or more efficient.*



FDA Talking Points

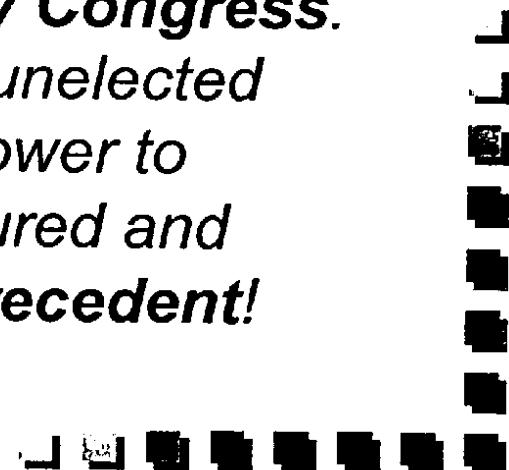
- **RJR doesn't think kids should smoke... PERIOD!**
That's why we strongly support effective programs like WE CARD and the Department of Health and Human Services (HHS) new regulations.
- **President Clinton's decision is pure political diversion.**
The day before Clinton makes his announcement on FDA, his own administration released a report that teen-drug use is skyrocketing . . . up 105% under the Clinton watch!
- **The FDA's new ruling clearly is a violation of First Amendment Rights.** *We could be on our way to prohibition, and now the FDA has the authority to make it happen.*



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FDA Talking Points

- *All the Clinton administration's talk about protecting children can be solved by a new federal regulation enacted this year by HHS. This new regulation requires all 50 states to show dramatic improvement in reducing youth smoking or loose millions of dollars in federal funding for other programs.*
- ***The HHS approach was authorized by Congress. FDA was not.*** President Clinton gives unelected bureaucrats at the FDA extraordinary power to dictate how a legal product is manufactured and marketed***this is a dangerous precedent!***



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State Cigarette Excise Tax Rates

Cents Per Pack - As Of October, 1996

(FEDERAL = 24.0¢)

■ Alabama	16.5¢	● Kentucky	3.0¢	● North Dakota	44.0¢
■ Alaska	29.0¢	● Louisiana	20.0¢	● Ohio	24.0¢
■ Arizona	58.0¢	● Maine	37.0¢	● Oklahoma	23.0¢
■ Arkansas	31.5¢	● Maryland	36.0¢	● Oregon	38.0¢
■ California	37.0¢	● Mass.	76.0¢	● Pennsylvania	31.0¢
■ Colorado	20.0¢	● Michigan	75.0¢	● Rhode Island	61.0¢
■ Connecticut	50.0¢	● Minnesota	48.0¢	● So. Carolina	07.0¢
■ Delaware	24.0¢	● Mississippi	18.0¢	● South Dakota	33.0¢
■ District of Col.	65.0¢	● Missouri	17.0¢	● Tennessee	13.0¢
■ Florida	33.9¢	● Montana	18.0¢	● Texas	41.0¢
■ Georgia	12.0¢	● Nebraska	34.0¢	● Utah	26.5¢
■ Hawaii	60.0¢	● Nevada	35.0¢	● Vermont	44.0¢
■ Idaho	28.0¢	● New Hamp.	25.0¢	● Virginia	2.5¢
■ Illinois	44.0¢	● New Jersey	40.0¢	● Washington	81.5¢
■ Indiana	15.5¢	● New Mexico	21.0¢	● West Virginia	17.0¢
■ Iowa	36.0¢	● New York	56.0¢	● Wisconsin	44.0¢
■ Kansas	24.0¢	● No. Carolina	5.0¢	● Wyoming	12.0¢

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